

February 11, 1998

Clinton Once More Risks Medicare for Politics

President's Medicare Expansion Plan: Dishonest, Disingenuous

It is sadly appropriate that the first serious policy proposal of the Clinton Administration to revamp Medicare would be one of rank political opportunism — expanding the eligibility age to include so-called “near seniors.” It is, however, not surprising. As the Clinton chronology laid out in this paper vividly demonstrates, this White House consistently ignored Medicare’s near-term financial crisis even as it gained momentum throughout this administration’s tenure. Clinton’s actions meanwhile show a clear pattern of dishonest and disingenuous behavior. And, we’re all too familiar with the reason behind it: political opportunism.

In each and every case, the Clinton habit of ignoring policy in pursuit of politics has been irresponsible. This time it is to hold out a promise to individuals — persons as young as 55 — that cannot be kept. The President, seeing Medicare’s near-term crisis temporarily removed, seeks to ignore the long-term crisis by *expanding* a program that is unable to handle the beneficiaries already in line. This is irresponsible behavior that serves to punish those least deserving punishment — current beneficiaries, and inevitably the taxpayers who will be stuck with the bill.

- **He Ignored the Warnings:** No administration in history ever received the consistently serious warnings about Medicare’s condition and did less.
- **He Turned His Back:** The Clinton Administration put politics over policy in vetoing legislation in 1995 that would have produced the necessary immediate reform, and then relentlessly demagoguing the issue for the election year. “Medagogue” was the term the *Washington Post* used.
- **He Reversed Himself:** In 1997 Clinton then signed an agreement enacting *virtually the same policy* he had vetoed and verbally bludgeoned, an agreement which actually resulted in slightly lower spending estimates.
- **And Back to Ignoring:** Now less than a year after enactment of that reform and after never having proposed real reform himself, Clinton seeks the largest eligibility expansion in Medicare’s history. Meanwhile Medicare’s long-term financial health remains in jeopardy.

The Clinton Chronology: Medicare Trustees' Reports and His Response

Every year the Medicare Board of Trustees release a report on the program's financial condition. In each and every year of the first five years of the Clinton Administration, the board's report showed that the trust fund failed to meet the trustees' most basic test for safety — ten-year solvency. Such warnings had only occurred six times in the program's history and never more than three years in a row. Yet despite these most serious and unprecedented warnings, the Administration made no effort at real reform. No White House was warned more or warned longer than Clinton's. Yet, recall the President's responses:

- **1993 Medicare Trustees' Report:** *"... The trust fund is projected to become insolvent within the next 5 to 7 years under all three sets of assumptions. ... This year the HI [Hospital Insurance] trust fund fails to meet the short-range test of financial adequacy. In view of the worsening condition of the HI trust fund and the failure of the fund to meet the short-range test of financial adequacy, the Board of Trustees is making a separate report. ... The Trustees believe that prompt, effective, and decisive action is necessary."*

Clinton Response: No Medicare Proposal, But Plans to Expand Government-run Care. Ignoring the Medicare trustees, this president instead began year-long meetings in preparation to extend government control to the rest of the nation's health care system.

- **1994 Medicare Trustees' Report:** *"These projections clearly demonstrate that the HI program is severely out of financial balance. ... Not only are the anticipated reserves and financing of the HI program inadequate to offset this demographic change, but under all the assumptions, the trust fund is projected to become exhausted even before the major demographic shift begins to occur. ... The program is severely out of financial balance and prompt actions will need to be taken to increase revenues and/or expenditures."*

Clinton Response: No Medicare Proposal, But Pushes "Clinton-Care." Instead of attending to the warnings of the Medicare trustees, this president asked Congress to approve his "Clinton-Care" healthcare plan that effectively would have nationalized the nation's health care system. Interestingly enough, "Clinton-Care" did include gross Medicare spending reductions (amounting to \$325 billion in 1998-2004, and net Medicare spending reductions of \$220 billion in 1998-2004) — yet, these types of reductions are what he labeled "cuts" when the Republicans would propose them the next year.

- **1995 Medicare Trustees' Report:** *"These projections clearly demonstrate that ... the HI program is severely out of financial balance in the short range ... The Trustees believe that prompt, effective, and decisive action is necessary."*

Clinton Response: No Medicare Proposal from Him, and Reject Congress'. Instead of heeding the trustees, this president vetoed the 1995 Medicare Preservation Act included in Congress' balanced budget bill.

- **1996 Medicare Trustees' Report:** *"HI program expenditures exceeded annual income beginning in calendar year 1995. . . . The HI trust fund is estimated to be depleted early in 2001. . . . Past Trustees Reports have reported that in the very near future expenditures would exceed income to the HI trust fund. In last year's report, the first year a deficit was estimated to occur was for 1996. . . . A deficit was realized one year earlier. . . . The short-range financial status of the HI trust fund is unsatisfactory. . . . Without corrective legislation soon, the fund would be exhausted shortly after the turn of the century . . . leading to a curtailment of health care services to beneficiaries."*

Clinton Response: No serious Medicare Proposal, But Demagogue. Clinton's only initiative amounted to a book-keeping device that the *Washington Post* labeled "a Medicare gimmick." Clinton instead demagogued Medicare for his 1996 reelection campaign: *"You remember that budget I vetoed last year because it had excessive cuts in Medicare. . ."* [Campaign rally, Green Bay, Wisconsin, 9/2/96].

- **1997 Medicare Trustees' Report:** *"In every year that passes without change, we will have to consume more and more of the trust fund's assets to meet current needs. . . . The HI trust fund, which pays inpatient hospital expenses, will be able to pay benefits for only about 4 years and is severely out of balance in the long range."*

Clinton Response: Again, No Serious Medicare Proposal. The *Washington Post* noted on January 12, 1997, "The President's forthcoming budget reportedly will include, again, a Medicare gimmick so transparent and crude as to give gimmickry a bad name."

- **1998 Medicare Trustees' Report:** While no official report has yet been released, actuaries report that the trust fund will be solvent to 2010 — the first time in Clinton's tenure that the short-run solvency test will have been met.

Clinton Response: Expand the Program. Clinton proposes the largest eligibility expansion in Medicare's history by allowing people as young as 55 to buy in to the program. Despite his claim that his proposal would be "self-financing," the *New York Times* headlined its story on the proposal: "Clinton Plan to Widen Medicare Can't Pay for Itself, Experts Say." In fact, virtually no one outside the White House believes the White House's claims.

Politics Over Policy, Part I: Clinton's Dishonest Demagoguery

While Clinton consistently ignored the serious policy problem presented by Medicare's ever-approaching bankruptcy, he never avoided the political opportunities presented by the issue:

- **1993's Clinton: An Increase is Not a Cut.**
In 1993, Clinton stated: "Today. . . Medicare [is] going up at three times the rate of inflation. We propose to **let it go up to two times the rate of inflation. That is not a Medicare . . . cut . . .** So only in Washington do people believe that no one can get by on twice the rate of inflation. So when you hear all this business about cuts, let me caution you that is not what is going on. . . I think we can live with twice the rate of inflation. Yes, I do. . ." [President Clinton, AARP Presidential Forum, 10/5/93].
- **1994's Clinton: His Own Proposal Would Spend Less.**
In 1994 Clinton proposed restraining Medicare's rate of growth by a gross amount of \$325 billion (1998-2004) and a net amount of \$220 billion (1998-2004) as part of "Clinton-Care."
- **1995's Clinton: Accuses Congress of "Cutting" Medicare.**
In 1995 Clinton vetoed the Medicare Preservation Act, claiming that it "cut" Medicare spending despite the fact that spending went up in each and every year — at twice the rate of inflation (yet, see his 1993 quote, above, and his own proposal of 1994).
- **1996's Clinton: Demagogue During the Election.**
In 1996 Clinton continued his false "Medi-Scare" campaign: "You remember that budget I vetoed last year because it had excessive cuts in Medicare..." [Campaign rally, Green Bay, Wisconsin, 9/2/96].
- **1997's Clinton: Holding Hands With Congress.**
In 1997 Clinton finally agreed to Medicare reform despite the fact that this proposal *was estimated to spend roughly the same amount over the same period* as the plan he vetoed in 1995 and demagogued in 1996 [see chart and graph, p. 6]: "America needs a balanced budget that is in balance with our values, that protects Medicare...That is exactly what this budget does..." [White House, 5/16/97].
- **1998's Clinton: Is This Not Another "Cut"?**
In 1998 Clinton's latest budget estimates reflect even lower Medicare spending — further belying Clinton's Medi-scare assertions.

Politics Over Policy, Part II: Clinton's Political Opportunism

While President Clinton never in five years responded to Medicare's impending financial crisis, he was able to respond within just five months to its new-found, short-term solvency by proposing the largest eligibility expansion in the program's history.

He offered his unprecedented expansion plan —

- before either the effects of last August's reforms have been ascertained, and before the commission to oversee Medicare's long-term reform had even had a chance to meet.
- despite the fact that Medicare as a whole has had extreme difficulty operating with its current eligibility requirements.
- despite the fact that every Trustee report and all analysts agree that the coming number of beneficiaries are insupportable by Medicare as it is currently configured — and that this is the problem the Medicare commission was created to address.
- despite the fact that no one outside the White House believes that Clinton's eligibility expansion can be "self-financing" and so will put even more strain on Medicare and Medicare beneficiaries than already exists.

That Medicare was facing imminent bankruptcy only months ago, it *should* be surprising that the President would seek to expand this program. But, on the other hand, considering President Clinton's history with Medicare, it sadly is not surprising at all. President Clinton has been for five years the most crass of political opportunists and the most absent of responsible policy proponents when it comes to Medicare. Why should we expect any better from him now?

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[See attached chart and graph on Medicare spending estimates.]

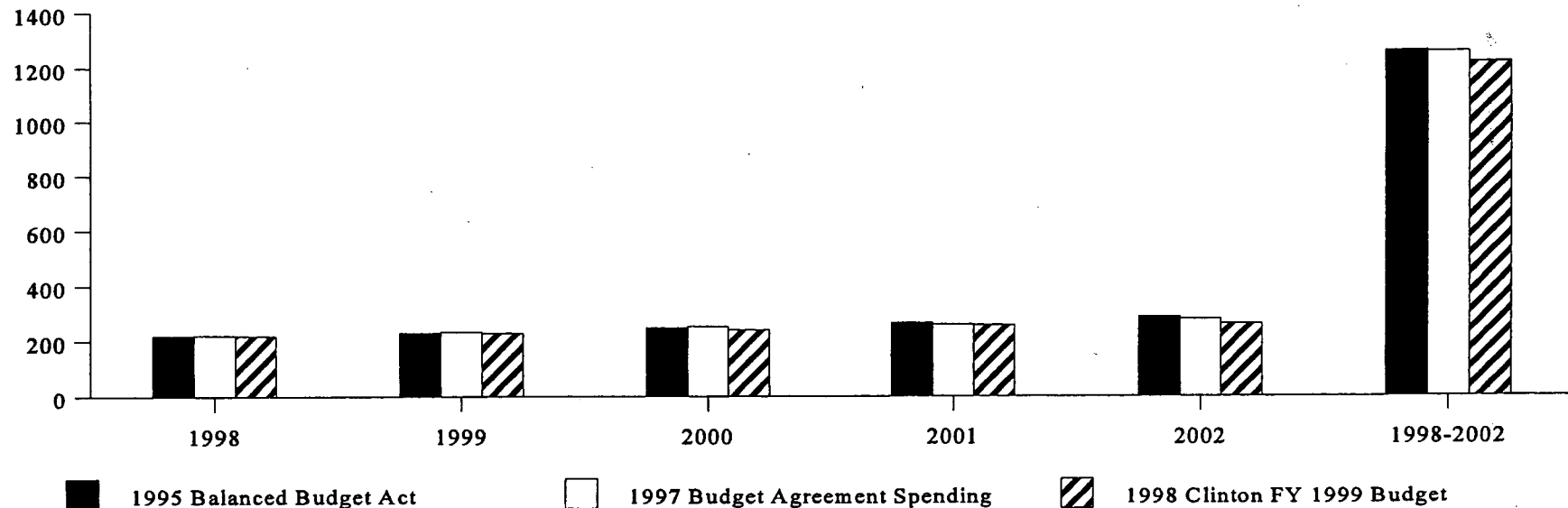
MEDICARE SPENDING ESTIMATES, THEN AND NOW — IT'S ALL ABOUT THE SAME

Demagoguery defined:

"You remember that budget I vetoed last year because it had excessive cuts in Medicare . . ." [9/2/96]

While all three estimates below — the one Clinton vetoed, the one he signed and the one he proposes this year — are very similar, the plan he accused of "excessive cuts" has the highest estimate.

	1995 BBA ¹ Clinton Vetoed	1997 Budget Agreement Spending ²	1998 Clinton FY 1999 Budget ³	Comparison: 1995 to 1997	Comparison: 1995 to 1998
1998	218.2	220.8	218.9	-2.6	0.7
1999	230.2	233.1	228.8	-2.9	-1.4
2000	248.3	253.3	240.9	-5.0	-7.4
2001	266.7	261.0	258.9	5.7	-7.8
2002	288.8	279.9	263.7	8.9	-25.1
1998-2002	1252.2	1248.1	1211.2	4.1	-41.01



¹ Source: CBO, ² Source: CBO, ³ Source: OMB